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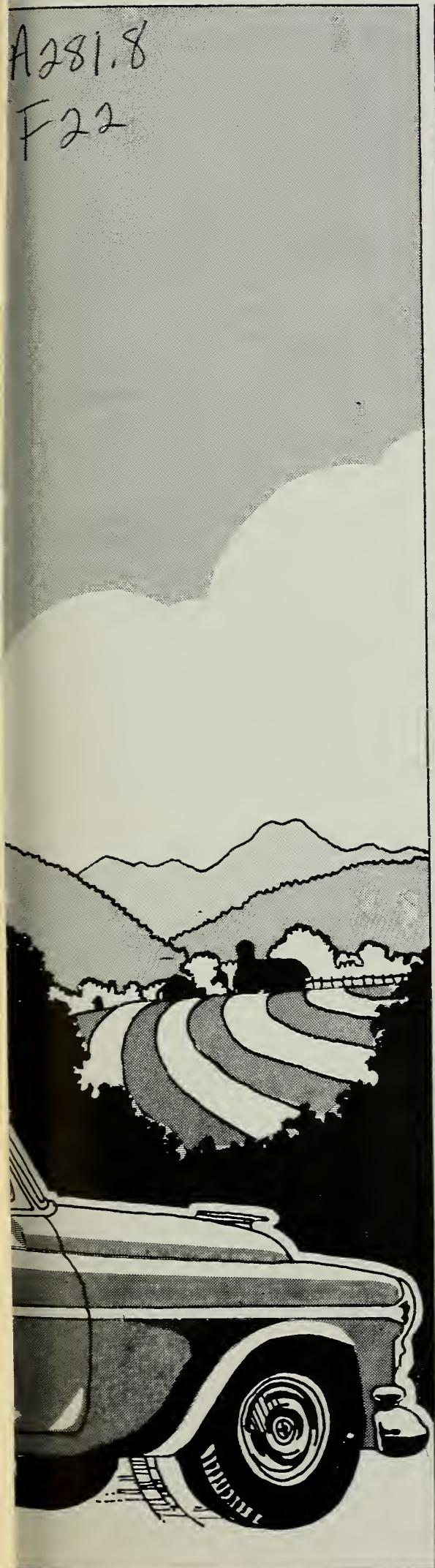
THE FARM INDEX

Department of Agriculture / September 1972

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Outlook

Fed cattle marketings will set a record in the second half of '72, but reduced supplies are in the offing for other red meats. Less pork, veal, and lamb and mutton will about offset the increase in beef production. On balance, economists don't foresee any great change in total red meat output from a year ago in the July-December period.

The outlook by livestock type:

Marketings of fed cattle will peak in the summer, and October-December volumes will run moderately larger than a year ago. By the July cattle on feed report, there were 9 percent more steers and heifers in weight groups that typically supply the bulk of fourth quarter marketings.

Heavier marketing weights this fall—up an estimated 1-2 percent—will add to total beef tonnage. Some feeders are holding cattle longer than usual to delay purchase of replacements. Reason is the cost per pound of gain generally has been less than the per pound price of Choice slaughter cattle.

Fed cattle prices are coming under pressure with the pickup in summer marketings. But only moderate weakness is expected in view of heavy consumer demand for meat and a prospect of decreased pork supplies. Prices for Choice steers at Omaha are projected \$2-\$4/cwt. more than the July-September 1971 average of \$32.80.

Feeder cattle prices, on the upswing since last year around this time, will probably edge lower in the fall as market volume increases. Nonetheless, prices are expected to average near or above a year ago, highest since 1951.

These favorable feeder prices, incidentally, are encouraging stockmen to expand breeding herds. The cattle and calves inventory may swell another 4 million head in '72 from the 118 million reported at the start of this year. A 3-percent increase in the 1972 calf crop will more than compensate for a gain in total cattle and calf slaughter. Most of the growth in cattle numbers will be in beef cows and beef calves.

This fall's hog slaughter is likely to trail year-earlier levels. The June 1 count showed 6 percent fewer hogs on

farms than a year ago in the under-60-pound class. These will provide most of the October-December marketings. However, the fall slaughter might prove smaller than indicated should producers plan a significant increase in next spring's pig crop. If so, they'll be retaining extra gilts for the breeding herd.

The usual seasonal decline in fall hog prices will be tempered this year by strong consumer demand for red meat combined with the smaller pork supply. Prices at seven major markets may average well above the \$20 of October-December 1971.

Lamb slaughter, off 4 percent in January-June as a result of sharp drop in the early lamb crop, may experience a similar decline in the second half of the year. Prices are seen moderately above those in July-December 1971, when Choice lambs brought \$26.80.

Despite reduced slaughter, the sheep and lamb inventory continues to shrink. This year's decrease, though, looks to be smaller than the 1-million head decline of 1971, when the year-end count

stood at 18½ million. A good share of the '71 drawdown was in drought stricken Texas. Feed conditions improved this year, and likely increases in Texas' inventory will help offset further declines in other areas.

Per capita consumption of red meat is slipping. The January-June figure averaged about a pound under the 95 pounds consumed in the first half of '71. Usage in the second half will also be down slightly from the same time last year, when it reached 97 pounds per person.

Except for beef, the decreases will be across-the-board—in pork, veal, and lamb and mutton. Beef consumption, helped by stepped up marketings of fed cattle, is expected to gain several pounds over 1971's 113 pounds per person.

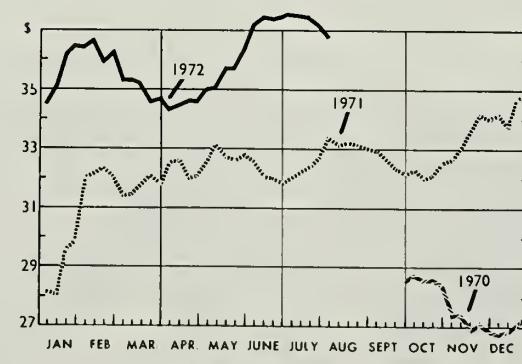
Wool prices have snapped back from last year's average of 19.4¢ a pound—lowest since the Depression. Mid-year quotations reached an average of 41¢ and they're likely to hover near that level for the rest of '72. Behind the price recovery: increased U.S. mill consumption, a 46-percent rise in world wool prices, and dwindling supplies of apparel wool.

Mill use of raw apparel wool in the first 5 months ran 14 percent ahead of a year earlier, reflecting quickened demand by both civilian and military outlets and increased exports of U.S. wool tops. However, recent price advances for raw wool and competition from manmade fiber will moderate the gain for the year as a whole. Mill use of raw carpet wool in '72 may be a shade higher than in '71. This year should be another recordbreaker for carpeting.

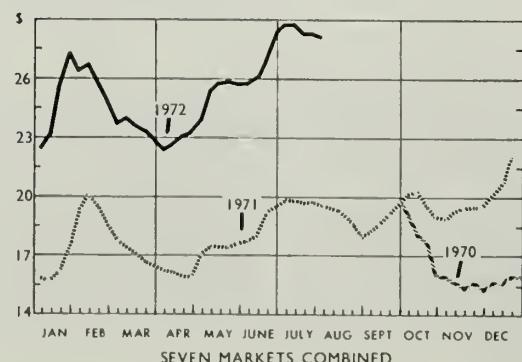
The general economy is looking good. Output of goods and services is growing faster than in 1971 and price increases have slowed. Availability of manpower, credit, and most materials—coupled with strong public and private demand—point to further economic expansion in the next 12 to 18 months.

Minimum wage increases, rising wage rates, and growing employment should give consumers more money to spend for food. And, beginning in October, raises in social security benefits

CHOICE STEERS, OMAHA*



AVERAGE PRICE
BARROWS AND GILTS



Contents

(increased generally by 20 percent) will add billions to the annual income stream. Disposable personal income appears likely to advance 7½ percent in 1972 and moderately faster in 1973.

Food expenditures in 1972 may climb 5½ percent over last year's \$117 billion, with most of the increase chalked up to steeper prices. Prices are apt to rise approximately 4½ percent, according to latest ERS projections.

For the rest of '72, most of the price increase will come from animal products. By late fall, prices will probably level off with the seasonal pickup in meat production. But retail beef prices will remain well above a year ago, and pork prices will average much higher. Moderate increases are expected in poultry and eggs, whereas dairy products will continue about 2½ percent above a year earlier.

Price prospects for some other food groups: fats and oils, another price boost but smaller than in '71; fresh vegetables, less costly than a year ago with the exception of carrots, tomatoes, and potatoes; processed fruits and vegetables, prices higher, perhaps the sharpest gain of any crop-related food product.

Foreign Spotlight: U.S. farm trade maintains healthy balance. U.S. agricultural exports exceeded imports by \$2 billion in fiscal 1972—the most in 5 years.

This favorable balance helped offset a large deficit in trade of nonfarm products. Imports of nonfarm items ran \$7.1 billion higher than nonfarm exports, and the \$2 billion in agriculture's favor reduced the total U.S. trade deficit to \$5.1 billion.

The excess of farm exports over imports came mainly from heavy shipments of soybeans and meal, cotton, dairy products, cattle hides, meats, fruits, nuts and vegetables.

FARM

Features

- 4 Sizing Up Texas Feedlots**
How they're financed and managed in the Panhandle-Plains region

RURAL

- 9 Out of the Mainstream**
ERS takes a close look at the 24 million Americans who live in isolated rural areas

MARKETING

- 12 Behind High Shoe Prices**
Rising cattle hide prices give a slight but noticeable lift to consumer shoe prices

CONSUMER

- 15 Cheese—Big Wheel In the Dairy Industry**
Anyway you slice it, cheese stacks up high in consumer ratings

FOREIGN

- 17 Chile's Farmland Goes Public**
Chile tries socialization to achieve agricultural self-sufficiency

Martin Schubkegel
Editor

Diane Decker
Diana Morse
Walter M. Patrick
Staff Editors

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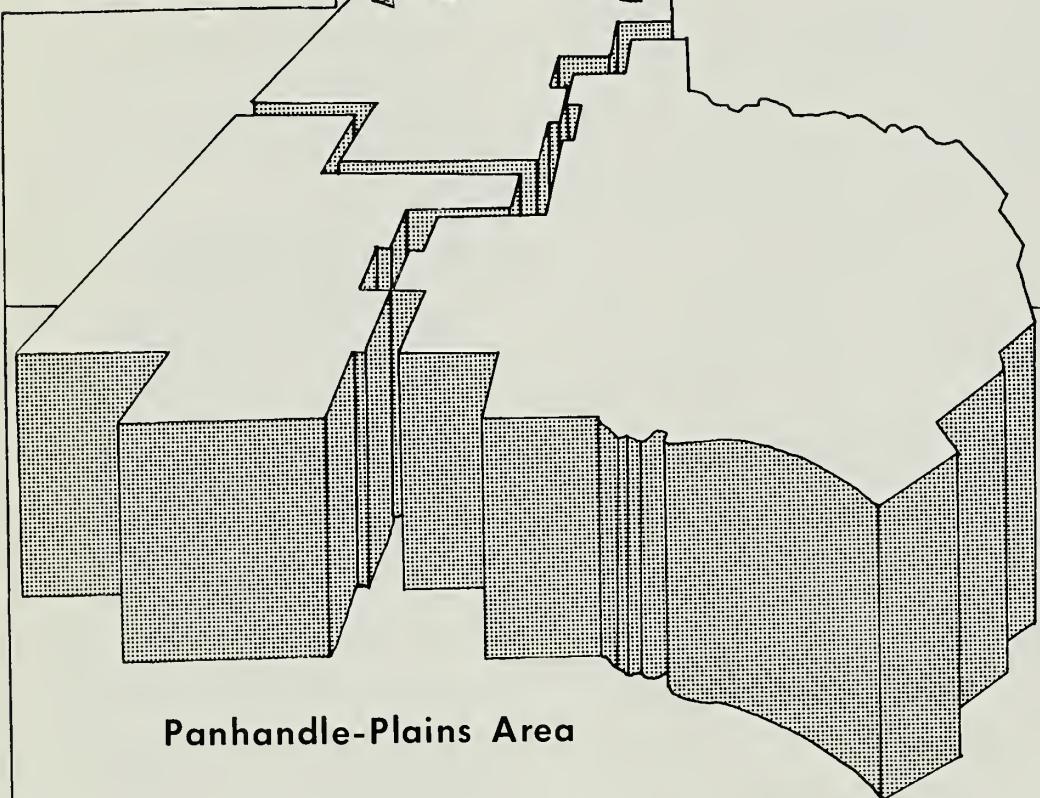
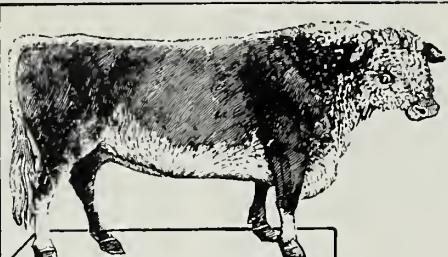
Departments

- 2 Outlook**
21 Recent Publications
22 Article Sources
23 Economic Trends

NOTE: The numbers in parentheses at the end of stories are intended for readers who wish to write us for additional information. See page 22 for details.

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SIZING UP TEXAS FEEDLOTS



ERS and Texas A & M University explore the anatomy of the big feedlot industry in Texas' Panhandle-Plains area—source of a tenth of the Nation's fed cattle.

You just became heir to 30,000 choice feeder cattle in Texas, and don't know zilch about raising livestock. Doing what comes naturally, you hire a professional . . . in this case, a man who makes a business of fattening somebody else's cattle.

Finding a feedlot large enough to handle 30,000 head at one time is a chore in itself. You'd do much scouting around in most places. But this is Texas, where huge custom feedlots are more the rule than exception.

The latest feedlot count, for 1971, rated Texas No. 1 in terms of operations with a one-time capacity of 32,000 head and up. Texas reported 17 such lots, versus only 27 in the other 22 big cattle States com-

bined. Thanks to size, Texas' 1,525 feedlots—less than 1 percent of all lots in the U.S.—fed out 3.7 million cattle in 1971, or almost 15 percent of all feedlot marketings in the 23 important cattle States.

Showcase of Texas' highly specialized, commercial feedlot operations is the northern third of the State known as the Panhandle-Plains area. It claims more than four-fifths of the State's cattle on feed, and more than a tenth of cattle on feed in the entire U.S.

Probing the anatomy of Texas' fast-growing cattle industry, ERS and Texas A & M University surveyed 31 feedlots that market about half of the Panhandle-Plains' fed cattle. Among other things, researchers wanted to know more about the asset and debt ratios of the cattle feeders, where they got their operating capital and how much, the extent of custom feeding,

and operational differences among various sizes of feedlots.

A key finding about finances was this: in the survey years of 1969 and 1970, Panhandle-Plains feedlots were in a strong and solvent position.

In fact, ranked with the manufacturing corporations in the U.S. the feedlots' financial prospectus compared quite favorably. Their current ratio of assets to liabilities averaged nearly 2, alongside 2 for the manufacturers. Fixed asset to long-term debt ratio was 2.6, better than the 2.4 of the other corporations. The equity/liability ratio was the same in both cases—1.2.

The ledger of operating expenses revealed they averaged \$2.5 million in 1969-70 for all feedlots surveyed, but the largest plants reported costs at upwards of \$9 million a year.

About four-fifths of total expenses went for feed. This attests to the importance of custom feeding in

the Panhandle-Plains region, where feedlots use a relatively small proportion of their annual operating capital for feeder cattle purchases. The survey found 9 in 10 cattle were fed on a custom basis. The larger the lot, the higher the proportion of cattle that were custom fed.

Who owned the cattle? Around 57 percent were farmers and ranchers; 19 percent, feedlot officers and directors; 9 percent, packers; and the remaining 15 percent consisted of cattle feeding clubs and individuals like doctors, lawyers, and bankers.

Custom feeding, the researchers noted, has had a profound effect on the growth and financial management practices of the Panhandle-Plains cattle feeding industry. For one thing, the custom feeder has a built-in liquidity, because he uses a 15-day billing period and normally collects in 10 days. Assuming feed grains are bought on credit and fed to cattle within about a week, feedlot bills for grain purchases become self-liquidating as a result of payments received from custom clients.

Payments by these clients contributed the main source—approximately 70 percent—of the feedlots' operating capital. Second most important source were commercial banks, with 20 percent, followed by Production Credit Associations (PCA's), 8 percent.

Long-term indebtedness averaged almost \$200,000 per feedlot, ranging from \$40,000 for the smaller lots to more than \$800,000 for those with 40,000 head capacity and over. Prin-

cipal creditors for long-term debt—which averaged almost 10 years—were insurance companies, PCA's, commercial banks, and savings and loan associations.

Regarding types of business organization, this study found corporations predominated. Approximately four-fifths of feedlots with 20,000-plus capacity were operating as corporations in 1969-70.

All incorporated feedlots combined accounted for 80 percent of the cattle on feed.

Some of the incorporated feedlots raised capital through public offerings of common stock or offerings of limited partnerships in cattle feeding funds. Proceeds from the sale of partnership subscriptions, a relatively new kind of feeding arrangement, were commonly used for purchasing, grazing, feeding, and marketing cattle as specified in the prospectus. A chief advantage of limited partnerships is that they generally run for 5 years, so the feedlot is assured of a fairly constant source of feeder cattle.

Many of the larger lots had merged with another feedlot or firm. Mergers were reported by almost 90 percent of the feedlots with 40,000 head and over capacity. Nearly half the merging feedlots said capital was easier to get after the merger. However, the operators acknowledged that mergers had virtually no effect on interest cost (it ranged from 6 to 9 percent on long-term credit) and no immediate effect on the volume of cattle placed on feed. (1)

'Probable Price' Affects Soybean/Corn Acreage

One of the more baffling puzzles about farmers' planting intentions has to do with corn versus soybeans.

Despite favorable soybean prices in recent years—now the highest since the 1940's—farmers have not increased the area sown to this crop by the amount some specialists anticipated.

This year is a case in point. The Aug. 10 estimate of soybean plantings was for 45.8 million acres, up for the 13th consecutive year. However, this was a couple million shy of earlier expectations based on changes in farm program set-aside provisions aimed to encourage soybean production.

A new ERS study lists several factors that could contribute to this, among them: (1) Land erosion increases if soybeans are grown on the same field 2 years in a row; (2) In some areas, fertilizer had already been applied for corn production before the program changes were announced; (3) Soybeans could not be grown on land to which the pesticide atrazine had been applied for corn production in 1971; (4) Patterns of seasonal use of labor on many farms would have been upset if soybean acreage expanded; and (5) Farmers were uncertain about the expected price for soybeans and corn at market time.

The ERS study focused on the last factor in an effort to explain why soybean acreage didn't pan out to be as large as predicted.

When a soybean/corn farmer sits down to plan how much land to put to which crop, it's assumed he considers his expected cost of production, his expected yield, and expected price. All these entail a risk factor, but the matter of price is especially crucial to prefiguring the returns from the enterprise.

Generally, this study explains, the "expected price" is regarded to be the price received at market time. What's often overlooked, however, is that producers don't only consider

WHO OWNS PANHANDLE-PLAINS FEEDLOTS

Size of feedlot (head capacity) in 1969-70

Type of ownership	1,000-9,999	10,000-19,999	20,000-29,999	30,000-39,999	40,000 and over	Total*
	Percent					
Single proprietor	42	—	—	—	—	19
Partnership	14	42	21	—	—	19
Corporation	44	58	79	83	100	61
Cooperative	—	—	—	17	—	2

* Does not add to 100 due to rounding.

last season's price per se, rather they have a good notion of the possible price range—the most probable price outcome with some practicable upper and lower limits.

Take corn prices in 1971. They averaged lower than in recent years, so producer price expectations for 1972 might well have been skewed towards higher prices. On the other hand, 1971 soybean prices averaged much above the loan level and the highest since 1947. Producers may have concluded this year's price wouldn't go much above last year's, and they might well drop lower.

A model developed by the ERS analysts shows that by taking into account the probabilities of expected prices, producers apparently decided the probability of a higher return was from corn rather than soybeans.

The researchers examined many possible price models, and settled on one they believed to be the most valid as to producers' expectations for the 1972 crop year.

For corn, the model specified a high price limit of \$1.25 a bushel, and for soybeans, \$3.15. These were selected for reasons of previous price history and producers' awareness that when prices are well above average, prices the following year will decline more often than not.

The low price levels for the two crops were set at their respective loan levels: \$2.25 a bushel for soybeans and \$1.05 for corn.

In Illinois, for example, the \$3 received in 1971 for soybeans, considered the most probable price to be received in 1972, was the highest since the late 1940's, whereas the 1972 expected price of corn—set at \$1.10—was 2¢ under the last 15-year average.

The results from the model showed that the average return from the two crops, operating under the above given price environments, was \$68.12 per acre for corn as opposed to \$65.79 for soybeans.

The model also indicated that if producers had not looked at price probabilities, but had considered only their expected prices, they

would have estimated their returns at \$65.79 for corn and \$67.18 for soybeans. (4)

Dwarf Apple Trees Prove Big Timesaver

To an efficiency-minded apple grower, happiness can be an orchard full of dwarf or semidwarf trees.

A study in Washington State found that worker productivity averaged about 18 boxes per hour in dwarf orchards—compared with less than 12 in orchards planted to standard size trees.

In standard orchards, where tree height is at least 13 feet, workers spend up to a third of their time moving and climbing ladders to reach apples that may be as high as 25 feet. Largely because of the cumbersome ladders, experienced male workers outpick women by more than four boxes per hour.

The competitive edge narrows, however, in the dwarf orchards, where tree height is kept below 9 feet.

Besides easy-to-pick apples, dwarf orchards offer pickers another advantage. During the 1968 harvest, workers' earnings—determined by the piece rate times the picking rate—averaged \$3.37 per hour in dwarf orchards. Pickers in conventional orchards averaged \$2.53. (9)

Southwest Ranch Returns Dipped Again in '71

Net returns to Southwest ranches sank lower in 1971 for the second year in a row. It was one of the few cattle centers of the West that didn't experience an increase.

Fortunately for Southwest ranchers, financial disaster was averted by record livestock prices. Alltime highs were established for steer calves, yearlings, breeding cows, and bulls. The price advance for all products averaged 8 percent on ranches studied by ERS in cooperation with New Mexico State University.

Lower production, however, offset much of the price increase as

did a 13-percent jump in operating expenses. As a result, net returns to operator's labor and management, and capital dropped 23 percent from a year earlier to around \$7,700 per ranch. This was also 37 percent less than the record returns of 1969. Livestock production was reduced by drought and poor range conditions during most of '71. Besides forcing cuts in breeding herds, dry weather prompted large sales of yearlings in the early part of the year. Then, as weather improved after August, ranchers held back heifer calves in an attempt to rebuild breeding cow numbers.

Feed costs (including grazing fees)—the major operating expense on these ranches—rose 24 percent in 1971. Hired labor expenses—second largest component—climbed 10 percent, reflecting a 9-percent increase in wage rates. (5)

Farm Mortgage Loans Up As Interest Rates Drop

The pickup in new farm mortgage loans that occurred the last half of 1971 is expected to be sustained through 1972, ERS reports.

That increase in mortgage money loaned was 51 percent over a year earlier for the three reporting lender groups—life insurance companies, Federal land banks, and the Farmers Home Administration.

It was a continuation of the up-swing in farm mortgage borrowing that started after mid-1970 when interest rates began dropping from the highest levels in recent years.

Life insurance companies loaned \$432 million in new money last year, 56 percent more than the year before. The average interest rate on commitments for the last half of 1971 was 8.7 percent, 0.7 percent below the last half of 1970. Commitments in the 8 to 8.5 percent range accounted for half the total and those above 8.5 percent dropped to a fourth of the total—just about the reverse of 1970.

Federal land banks loaned more than \$1.2 billion in new money in

1971, up 41 percent from 1970. Interest rates started the year at 8 to 9 percent, but dropped to 7.5 to 8 percent at mid-year. At that time, half the banks charged 7.5 percent, and this decrease was the primary reason for the large volume of new money loaned.

Farmers Home Administration increased its new direct FHA rural housing loans in 1971 by 37 percent above 1970, while farm ownership loans fell 20 percent. (6)

Ban on Chlordane Would Lift Costs to Farmers

As pesticides go, chlordane isn't among the most widely used by U.S. farmers. But if they had to quit using it, their production costs would go up by nearly \$2 million a year.

A recent ERS report estimates the total added cost to U.S. farmers would have been \$1.85 million in 1971 in the event of a ban on chlordane—used mainly to control soil insects. Of that amount, \$1.56 million would have been the cost of substitute insecticides. The remainder would have represented production losses.

For corn and potatoes—the principal crops getting chlordane treatment—there'd be little effect on crop yields if substitute insecticides were applied, but these substitutes would be more costly. The same holds for tobacco, tomatoes, and cotton. However, for crops such as strawberries and some vegetables, the alternatives would be less effective in controlling insect pests, and value of the production would decline.

Assuming chlordane were not available in 1971, the added cost for substitute pesticides would have ranged from a low of 18¢ per acre for cotton to a high of \$6.77 per acre for corn. The figure would have been around \$2.50 per acre for potatoes, tomatoes, other vegetables, and strawberries. The per acre production losses would have amounted to \$23 for vegetables, \$31 for citrus, and \$75 for strawberries. (3)



Men and Milestones

WASHINGTON, D.C., February 9, 1889—President Cleveland signs the bill elevating the Department of Agriculture to Cabinet status.

Six days after passage of the new law, Cleveland administered the oath of office to Norman J. Colman who thereby became both the last Commissioner of Agriculture and the first Secretary of the new Cabinet agency.

Born near Richfield Springs, New York, on May 16, 1827, Colman taught school in the Empire State before leaving in 1847 for Kentucky where he continued teaching and began studying law at the University of Louisville.

He received his law degree in 1849, moved to Indiana and there served briefly as a district attorney. About 1852, he settled on a farm near St. Louis, Missouri.

Besides farming, Colman began an involvement with Missouri State politics that eventually carried him to the Lieutenant-Governor's office.

He also bought an agricultural

paper and transformed it into *Colman's Rural World*, one of the finest farm journals in the Mississippi Valley during the last half of the 19th century and the first decade of the 20th.

As Commissioner, he successfully improved USDA's work and enlarged its scope, thus providing major justifications for elevating the Department to an executive agency.

The high point of his Washington career was the passage of the Hatch Act giving federal financing to agricultural experiment stations. Colman was such an important advocate of the measure that he is sometimes called the "Father of the Experiment Station."

Leaving office at the close of the first Cleveland Administration, he returned to Missouri and, after several years, again took over the reins of the *Rural World*.

Colman died in 1911, at age 84, honored at home and abroad for his work on behalf of American agriculture and respected for his expertise as a journalist. (7)

Farmers' Net Incomes May Top Post War Record

It looks like 1972 will be the year to break the 25-year-old record for realized net income on U.S. farms.

Basing its year-end projections on the growth rate for the first 6 months and prospects for July-December, ERS forecasts realized net farm income in 1972 will reach around \$2 billion above last year's \$16.1 billion. The previous record of \$17.1 billion was set in 1947.

Cash receipts from farm marketings in January-June totaled \$23.6 billion, \$1.7 billion more than the 1971 period—due almost entirely to higher prices for meat animals.

Receipts for cattle and calves were up nearly \$1 billion, due to 15 percent higher prices while marketings showed little change from a year earlier. Hog producers' receipts advanced \$600 million, with farm prices 40 percent above year-earlier levels as a result of decreased supply and increased demand. Crop receipts in total were about the same as last year.

During the second half of the year, livestock and product receipts are expected to run well above last

Farmers' Contribution

Few people would volunteer to feed over four football teams a year—but that's what today's farmer does.

Statistically speaking, in 1971 a farmer supplied food for 48 persons—41 at home and 7 abroad. That's three times as many as he supplied food for in 1951 and 20 more people than just 10 years ago.

The increase is a result of greater applications of modern technology both on and off the farm, including the transfer of some tasks from farm to non-farm firms. As a result, there was again, in 1971, a smaller farm force, supplying food and other farm products to a larger domestic population.

In all, 4.4 million persons—including farm operators, unpaid family workers, and hired workers—made up the farm work force last year. This compares to 6.9 million 10 years ago. (2)

year's figures, and crop receipts are likely to remain the same as '71.

Another boost to farm income this year will be the sizable increase in direct Government payments to farmers participating in farm programs. Through May, payments

were \$219 million, compared with \$168 million for the first 5 months of '71. For all of '72, payments are expected to total close to \$4.2 billion, up from last year's \$3.1 billion. Participating feed grain producers will receive about \$850 million more than in 1971, while wheat growers' payments will rise nearly \$200 million.

On the debit side of the ledger, production expenses for the year will likely rise some \$2.5 billion above last year's \$44 billion but this prospective gain would be less than the \$2.9 billion increase in '71.

For the first half of this year, farm prices paid were about 5 percent more for production items, interest, taxes, and wage rates. Feeder livestock prices rose sharply—in June, they averaged 21 percent above June 1971.

Revised estimates for 1971 show that realized gross farm income set a record \$60.1 billion, but sharply rising production expenses resulted in a drop in net income of \$700 million from the year before.

On a per farm basis, realized net income last year came to \$5,581, a decline of \$176 from 1970's record \$5,757.

Per capita personal income of the farm population from all sources was a record \$3,129 last year, nearly 8 percent above 1970. After taxes, their per capita income was also a new high—\$2,832, and \$232 over 1970's.

For farm-operator families only, the 1971 estimates show they received 47 percent of their realized net income of \$11,811 from farming, and 53 percent from off-the-farm sources.

Last year's figures also show significant changes in the distribution of farm income by sales class. For instance, in 1971, farms with sales of \$40,000 or more made up 9 percent of all farms, had 59 percent of cash receipts from farming, and over 43 percent of realized net income. In 1960, this same group of farms made up 3 percent of all farms, had 33 percent of cash receipts, and 18 percent of net income. (8)



OUT OF THE MAINSTREAM



In today's world, one tends to think few people live in rural, isolated areas. But that's home for over 1 in 10 Americans, ERS reveals in its latest rural study.

Just who are those people "out there"?

That's the question USDA's Economic Research Service set out to answer for a Congress that wants more information about isolated rural areas as it studies rural development legislation.

One of the major findings is that there's a very large segment of our population—24 million people—who live in counties where there is virtually no commuting to cities . . . and where, therefore, there's not much choice when it comes to type of employment.

The study defines these as "non-commuter counties"—rural and small town counties in which fewer than 10 percent of the workers crossed county lines to go to jobs in urban employment center counties. More than half the counties in the U.S.—1,718—were in this category in 1960.

They're concentrated in the central portion of the U.S. and in many parts of the West and South. In North Dakota, Montana, Wyoming, Nevada, and Arizona, for instance, every county outside of an urban center is a "noncommuter county."

This finding is important because it suggests that many people living in sparsely populated regions will not benefit directly from employment opportunities created in growth centers—unless commuting becomes easier or more widely acceptable.

These "noncommuter counties" tended to have small populations and, by definition, very small towns. About 7 of 10 had populations between 5,000 and 25,000. The remainder were about equally divided between smaller and larger counties . . . and only 1 in 10 had a town as large as 10,000.

As a whole, population went down 1.2 percent in the 1960's in these counties—due to a heavy net outmi-

gration of 10 percent—while the rest of the country was experiencing growth.

The impact of the heavy outmigration can be seen in such areas as the Great Plains, where there's a comparative shortage of young adults due to insufficient job opportunities, and a higher percentage of people 65 years old or over than in the U.S. as a whole.

Among noncommuter counties, more than half of the towns lost population in the 1960's, while only about 20 percent grew rapidly—at a rate of 15 percent or more.

And the smaller the town, the greater the incidence of population decline. The decline of the small town will remain a major problem since nearly half of all towns in the noncommuter counties have fewer than 500 residents.

To these noncommuter counties, farming was the most important source of earnings, followed closely by manufacturing, trade, and State and local governments. In comparison, major sources of earnings in the rest of the counties in the U.S. were manufacturing, wholesale and retail trade, and services.

From the standpoint of individual wealth, the noncommuter counties are much poorer than the rest of the U.S. Median per capita income is only about two-thirds that of the urban-commuter counties. And the incidence of poverty in the noncommuter counties is more than double that of urban counties, with 4 of every 10 persons living in poverty in 1960.

As for housing, though noncommuter counties account for only 12 percent of the total number of occupied housing units in the Nation, they have 21 percent of the total number of crowded or inadequate housing units. The incidence of inadequate housing is high in all noncommuter areas, but it's especially high in the East South Central States. Over one-third of all housing there is either crowded or lacks complete plumbing.

Residents of sparsely settled, isolated counties pay proportionately

more of their income to the local government in taxes, but get back proportionately less in facilities and services than do residents of urban centers.

Overall, local governments in noncommuter counties spend only 83 percent as much per person for services as local governments nationwide. The noncommuter counties spend substantially more for roads and highways per capita, nearly as much for education and health and hospitals, and significantly less for welfare, sanitation, and police and fire protection.

Despite the lower dollar levels, residents spend more of their income for local government services than do residents of urban areas. For every \$1,000 of income, they spend \$66 for local government, compared with \$61 for urban counties.

A review of 242 major Federal programs accounting for 75 percent of fiscal 1970 outlays shows the noncommuter counties received about the same share of funds on a per capita basis as the rest of the country.

Federal spending in noncommuter counties was dominated by agricultural and natural resource programs, which accounted for more than a fourth of the total. Defense payrolls and defense contracts were far more likely to be in urban centers—the noncommuter counties, on a per capita basis, had only about a fourth the defense outlays of the urban counties.

Distribution of funds under certain other Federal programs did not always match needs of noncommuter counties. For instance, though their population is 12 percent of the Nation and their poor account for 24 percent of the Nation's poor, they got only 17 percent of funds under the Elementary and Secondary Education program in 1970; 2.1 percent of the Adult Basic Education program; 5.5 percent of Health Services; and 15.2 percent of Welfare. This inequality particularly turned up in the human resource field, but it also prevailed in community development programs. (10)

Vermont Project Zeroes In On Rural Families in Need

When you're down and out, you don't expect someone to come knocking at your door to offer help.

But that's exactly what happened to 1,228 rural families in Vermont over the past 3 years.

They were part of a Statewide pilot project conducted by the Vermont Extension Service and the State Vocational Rehabilitation Division, and funded by the Vermont legislature and a grant from the U.S. Department of Health, Education, and Welfare.

They were sought by teams of Extension aides and vocational rehabilitation counselors looking for rural families with net incomes under \$2,000 and a family member with a work-limiting health problem.

The teams went to these families, sat down with them to learn what they needed, discussed possible solutions, and then assisted them back on their feet—to get the farm operating prosperously . . . to arrange for health services . . . to undergo job training.

They were able to help even those who "had no use" for assistance from local agencies.

For example: a 49-year-old farmer had been having a hard time financially and was getting further and further behind.

His fields were in bad shape, due to poor cultivation practices. No land improvement practices had been followed, no fertilizer or lime used. His livestock was in poor condition. And none of his pastures were unimproved.

He and his wife both needed dentures, and one of their six children had been left paralyzed by an automobile accident a year and a half earlier.

Drawing on resources from some 20 agencies, the team was able to advise this family what was available and to obtain:

medical and dental treatment for both husband and wife;
training in farm record keeping,

herd management, and land management;

admission for the paraplegic son into a rehabilitation center where he can get physical therapy and job training to become self-supporting;

refinancing through Farmers Home Administration.

The farmer, meanwhile, with the encouragement of the Extension aide, made improvements in his dairy herd and pasture resulting in a third more income; sold 100 acres to bring his debt load under control; plowed, limed, fertilized, and seeded nearly all his fields for a much better hay crop; papered and painted his house and laid new floor coverings; and is expected to finish his long-uncompleted stable this year as well as buy some farm machinery to lighten his workload.

The family was also helped in applying for food stamps and for Medicaid.

Through the project's 3 years, 1,228 families with 4,826 members participated in the program. There was a total of 11,783 referrals made by the project staff to 24 different types of public agencies and private resources. Funded at \$650,000, the cost averaged out to \$540 a family.

Families were put in touch with people and programs that could help them with solutions to their problems: some got job training, health attention, farming advice (about 72 percent of the families had small dairy farms).

"All they need and want," comments an evaluator of the project, "is a little help where they are, which to them would be far more sensible than moving to town or city and welfare." (11)

Farmland Values Rose As Buying Surged in '71

Pit growing demand for farmland against a relatively fixed supply of available property, and you've got escalating farm real estate values.

As of March 1, 1972, the average value of an acre of farmland had shot up 8 percent over a year earlier

—in contrast to 3 percent during 1970/71.

Land values advanced in all regions, led by the Appalachian and Delta States with 10-percent increases. Real estate gained least in value—5 percent—in the Northern Plains.

Early this year, buyers were paying an average of \$217 per acre, \$16 more than last year. Total value of farmland and buildings reached \$228.6 billion—up \$15 billion from March 1971.

The value of a farm operating unit averaged \$86,500 across the Nation, although it varied widely among States.

Increases in farm real estate values were partly fueled by a buying surge in late 1971, as prospective buyers renewed purchase plans that were postponed during the tight money situation of 1969 and 1970.

Close to half of all farm real estate reporters—against roughly a fourth the year before—indicated in the March 1972 survey that inquiries for farmland had picked up since the spring of '71.

Though the number of properties offered for sale edged up only slightly from March 1971, both the rate and number of farmland trans-

fers advanced substantially. The rate of voluntary sales increased from 29 to 34 per 1,000 farms, while total transfers rose 15,000 to nearly 127,000.

Sole proprietors (individuals) continued to dominate the sale and purchase of farm property. Individuals bought 86 percent of the tracts and 72 percent of the acres.

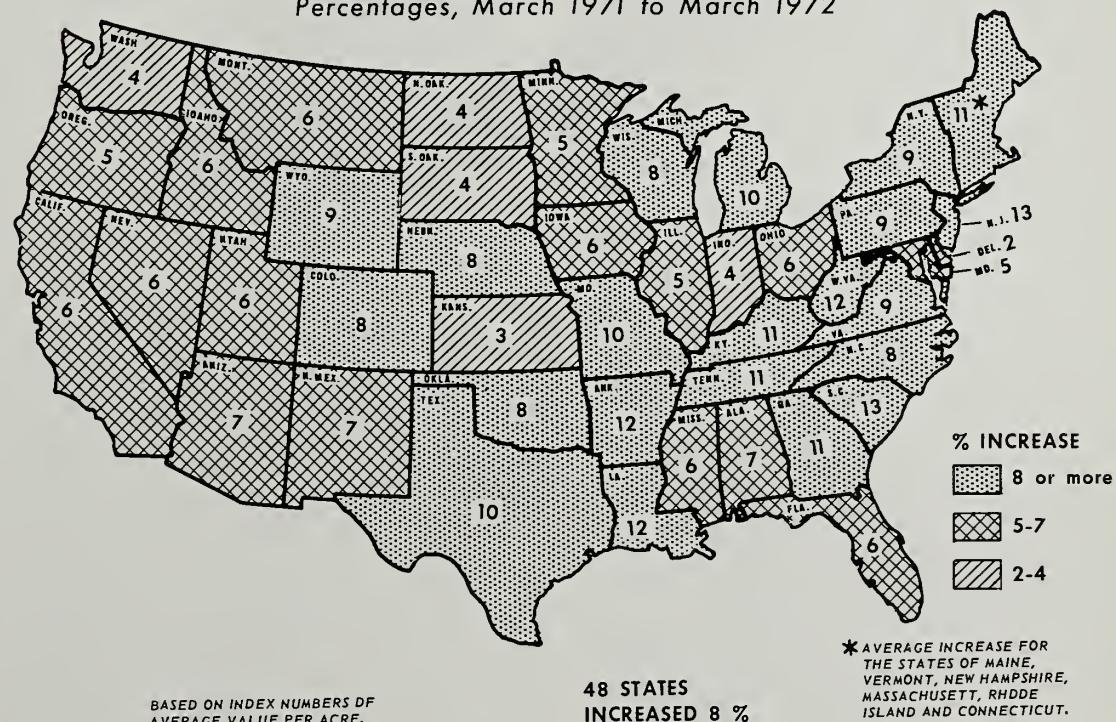
Public and private corporations accounted for only 5 percent of all purchases. Public corporations bought—and also sold—about 200,000 acres of farmland. As a result, total farm acreage owned by public corporations remained essentially unchanged for the year.

Real estate reporters indicated that about a fifth of the properties bought for agricultural use would probably shift to a nonfarm use within 5 years. Prices paid for these properties averaged well above those for tracts that were expected to remain in agriculture.

Substantial farmland acreage was also purchased for immediate nonfarm uses. Around 40 percent of the properties bought for immediate nonfarm uses went for rural residences; 24 percent for subdivisions. Recreation and commercial or industrial uses each took 13 percent. (12)

CHANGE IN DOLLAR VALUE OF FARMLAND

Percentages, March 1971 to March 1972





BEHIND HIGH SHOE PRICES

Shoes are the major outlet for more than 20 million hides that are cured and tanned to make domestic leather products each year.

Since August 1971, prices for U.S. cattle hides more than doubled. Record high prices have resulted from a continued strong demand for leather on the world market, coupled with a sharp drop in Argentine hide exports. Moreover, production of the two leather-like synthetics was brought to a halt last year.

Though leather costs make up a small share of retail shoe prices, slight changes in cattle hide prices are passed along in the marketing system to consumers, generating higher operating costs as they go.

Efforts to keep a lid on consumer shoe prices have included constraints on margins for tanneries, manufacturers, and retailers. More recently, hide exports were limited to expand domestic stocks and hold back more price increases.

To measure the effects of cattle hide price changes on consumer shoe prices, ERS recently examined the marketing system for cattle hides from slaughter plant to retail shoe store. Data were assembled in June 1972 from tanneries, hide processors, shoe manufacturers and several trade associations.

Processing, the first stage in the hide marketing system, converts fresh hide to a brined, trimmed,

fleshed, sorted, and graded product for sale to tanneries.

A typical freshly removed hide weighing 75 pounds yields about 48 pounds of cured hide, and has a current tannery market value of 39.2¢ per pound (36.6¢ to hide supplier + 2.6¢ curing costs).

By shifting to brine curing operations in highly mechanized facilities near slaughter plants, processors have cut costs to 2.6¢ per pound—compared with 5.3¢ in 1964. Cured hide sold to tanners 1964 for 18.8¢ per pound (13.5¢ + 5.3¢).

Comeback for Phosphates

Phosphates didn't make the list of plentiful fertilizers last spring, and signs are they'll be in relatively short supply again in the '73 season.

But relief is in sight. ERS fertilizer specialists report U.S. phosphate production—which has sagged since the late 1960's due to oversupply and low profits to the industry—will be turning up in the foreseeable future. One large fertilizer plant expects to complete its expansion plans by 1974, and several other firms (some have facilities on standby) are considering getting into the phosphate business.

Also encouraging is the prospect of reduced pressure on U.S. supplies from foreign buyers. One company in Mexico is gearing up production to feed the growing demand for phosphate fertilizers in Latin America and Europe. In Africa, two plants are getting on-stream to sell phosphates to Europe and around the world.

There's no shortage of the main raw ingredients needed to make ammonium phosphate or concentrated superphosphate—phosphate rock, sulfur, and ammonia. Phosphate rock and sulfur are more than ample to meet expected demand in the next 5 or 10 years. Many phosphate rock mines are idle, and sulfur in the U.S. and Canada is being stockpiled at a rapid rate. As a result, sulfur now reportedly sells for less than \$10 a long ton, f.o.b. producing plant, compared with \$50 about 5 years ago. (16)

Tanners report that the cost of cured cattle hides makes up close to 60 percent of the total value of tanned leather—up from around 40 percent 2 years ago.

With cured hide at 39.2¢ per pound, the tanner pays 47.04¢ per square foot of leather raw material (1 sq. ft. of leather uses 1.2 lbs. of cured hide). Brokerage and freight fees bring the tanner's total cost to over 49¢ per sq. ft.

Tanneries sell a major share—60 to 80 percent—of their leather according to customer specified finishes, colors, and coatings. Costs of these custom finishes (3¢ to 17¢ per foot) have raised leather prices more than any other factor besides fresh hide prices.

Addition of labor, materials, and overhead costs lifts the value of tanned hide to 81.14¢ per square foot—the selling price for leather to shoe makers based on hide prices in June 1972.

Two styles of men's oxford shoes that are sold in large volume serve as examples in the study. The first is a dress oxford; the second, a lower-priced, casual wear shoe.

Of the two, the dress shoe requires slightly more side-upper leather per pair. Based on prices paid to tanners for leather purchased 3 to 5 months earlier, leather costs to shoemakers in June totaled \$2.03 for the casual, and \$2.56 for the dress oxford.

Added to the side-upper leather costs are the manufacturer's operating costs, which include labor, profit, overhead and merchandizing. Labor costs are substantially higher for the dress shoe, as it requires more time and skill to assemble.

Operating costs totaled \$9.82 for the dress shoe, versus \$5.48 for the casual oxford. Additional material costs are incurred for other shoe parts, such as soles, heels, tongues, laces, etc.

The shoemaker's entire costs and operating expenses resulted in a factory (wholesale) selling price of \$16.23 for the dress shoe, and \$9.90 for the casual shoe.

This was the cost to retailers in

June, however. It reflects tannery prices of 3 to 5 months earlier, rather than the 81¢-leather, which mirrors higher hide prices to tanneries in June.

Based on 81¢ leather prices, factory turnout prices of a pair of the casual oxfords would rise 48¢ to \$10.38. The dress shoe, with more side-upper leather of a higher quality and finishing cost, would rise 21-55¢ per pair to \$16.44-\$16.78. Even so, leather is a small component in the total cost of shoes to consumers.

Ordinarily, the retail margin for a pair of shoes is 50 percent of the retail price to consumers—against roughly 45 percent in 1964. And the casual shoe, with a factory selling price in June of \$9.90, would retail for \$19.80; the dress shoe, for \$32.46.

Phase Two controls, however, have not permitted large volume shoe retailers to mark on these regular margins to the increased cost of shoes from manufacturers. They can only raise shoe prices on a dollar-for-dollar pass-through basis of added costs. (13)

Catfish Face Hurdles To Reach More Tables

There may come a day when farm-raised catfish compete with broilers and pork, as well as other fish, for the average shopper's favor.

But right now, the new catfish industry must jump some major hurdles before it breaks in big on the supermarket and restaurant circuits where U.S. consumers buy most of their food.

Not the least of these hurdles is price. Farmfed catfish retail for about \$1.10 to \$1.30 a pound. And those in the business simply can't lower their price to compete because very little money is being made now. From a pound of fish sold at retail, growers get about 2¢, and processors, wholesalers, and retailers, 1¢ each—or about 4 percent profit for the whole industry.

It's estimated that if a new prod-

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uct such as fillets were put on the market, they'd have to be priced at \$2 a pound to cover costs.

Making the price more attractive to the consumer will require greater efficiency in all industry functions—production, processing, and marketing. Some work is being done now. Much more will be required.

In addition, more promotion will be needed. For instance, a recent USDA survey indicated nearly 70 percent of Eastern consumers had never tried catfish.

Another hurdle is in providing supermarket and restaurant chains with the uniform and steady supply they require. Since most farmers get a higher return in local or fee-fishing markets, most of today's catfish do not go to the processor. Summer months mean even fewer catfish for the processor. Farmers avoid har-

vesting during the summer for a variety of reasons, including the risk of mortality associated with high water temperatures.

Despite its problems, the industry has some things going for it. Farm-raised catfish are tasty, have a high feed conversion ratio, and adapt readily to commercial farming. Since 1960, catfish production has increased from a modest 400 acres in Arkansas to some 50,000 or more acres this year, mainly in seven Southern States—Arkansas, Mississippi, Louisiana, Texas, Alabama, Tennessee, and Georgia.

Processing plants—nonexistent in the South before 1967—number 15 or more today.

And last year, production of farm-raised catfish—at 50 million pounds—was nearly triple that of 1969. (17)

Food Spending Scored \$5.2 Billion Gain in '71

Consumer spending for U.S. farm-produced foods jumped the \$110 billion mark in 1971 for the first time.

Total expenditures reached \$111.1 billion, according to revised estimates by ERS. This was 4.9 percent more than in 1970, or \$5.2 billion. Last year's value increase was the third largest in 25 years.

These estimates include food bought in retail stores and away-from-home eating places, and food served by schools, hospitals, and other institutions.

Biggest gainers among commodity groups were fruits and vegetables. Expenditures advanced \$1.6 billion to \$23 billion, mainly due to higher prices.

Bakery products, with the next largest increase, were up \$1.5 billion to \$11.5 billion.

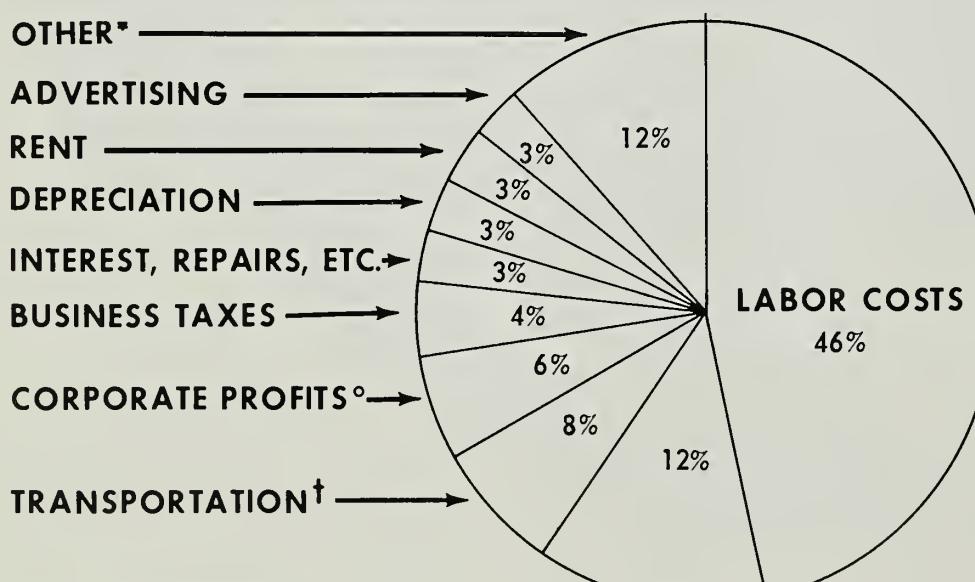
Meat product expenditures, accounting for a third of the total, went up \$1.1 billion to \$32.5 billion. Factors in the increase included plentiful pork supplies in first half 1971 plus stronger demand and rising beef prices.

The farm value of U.S.-produced foods came to \$35.8 billion in '71, and the marketing bill, to \$75.3 billion.

Of the \$5.2 billion advance in total spending last year, \$1 billion went to farmers and \$4.2 billion to the marketing system. Higher costs of marketing services contributed 46 percent of the growth in the marketing bill; larger volume of products handled, another 46 percent; and greater demand for marketing services, the remainder.

Labor costs rose nearly 8 percent, reflecting wage hikes and more man-hours worked. Total cost of containers and packaging materials were up 5 percent, mainly because of higher prices of materials. Rail and transportation costs, third biggest component of the marketing bill, increased 15 percent. About three-fourths resulted from steeper shipping rates. (14)

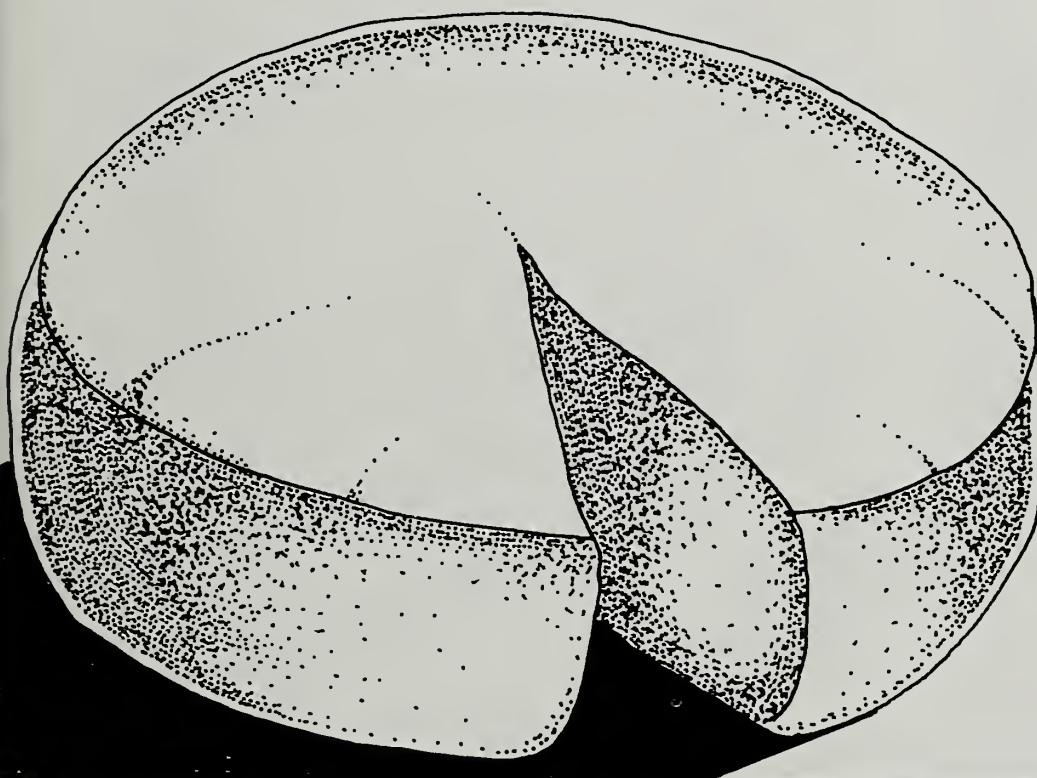
MARKETING BILL IN '71: WHAT WENT INTO IT



*RESIDUAL INCLUDES SUCH COSTS AS UTILITIES, FUEL, PROMOTION, LOCAL FOR HIRE TRANSPORTATION, INSURANCE.
○BEFORE TAXES. †INTERCITY RAIL AND TRUCK.

FROM FARM GATE TO YOU. About two-thirds of the consumer's food dollar goes to the marketing system. In 1971, farmers got \$35.8 billion of the total retail value of food products, whereas the marketing bill for transporting, processing, and distributing them came to \$75.3 billion. By far, the largest component of the marketing bill is labor (\$34.5 billion last year), followed by containers and packaging materials (\$8.9 billion), and truck and rail transportation (\$6 billion). Marketing charges have increased during the past decade at an annual rate of about 4½ percent. Roughly a fourth was due to growth in volume of products handled. (15)

CHEESE



BIG WHEEL IN THE DAIRY INDUSTRY

A special favorite with American consumers for its practicality as well as its "glamour," cheese has become one of the hottest sellers in the Nation's dairy industry.

Relaxing after a morning's climb, hiking club members joke about their lunch—almost all brought cheese and bread;

Preparing hors d'oeuvres for the evening's party, a hostess brings out her fancy cheeses;

Stretching the budget, a mother of five fixes macaroni and cheese;

And reading his French cookbook, a New York bachelor prepares quiche Lorraine, while in a neighboring apartment, newlyweds fix cheese fondue for their first dinner party.

During the first 5 months of this year, as Americans cut slice after slice, cheese sales zoomed up 10 percent from a year ago. One of the reasons is higher meat prices—Americans are using cheese, a high-protein food, as a substitute for meat.

But cheese's rise in popularity has been going on for a long time. Last

year, Americans bought almost 2½ billion pounds of cheese—both domestic and imported—6 percent more than in 1970. And the year before, an 8-percent gain was achieved.

In the past 50 years, per capita consumption of cheese has gone from 4 pounds a year to 12, while our population doubled. By 1980, according to one projection, we may be eating as much as 15 pounds per person.

The reasons for cheese's growing popularity are multifold.

"It's become glamorous," comments one ERS dairy specialist. "In addition, it's a good, everyday, handy food."

Italian-type cheese like mozzarella have gotten a big boost from the pizza upsurge. Processed cheese is increasingly used for cheeseburgers and cheese snacks, cheese foods

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Cheese Tasters

The average Frenchman is the world's leading cheese consumer.

Per capita consumption of cheese in France was nearly 32 pounds in 1970—about 10 pounds more than the runnerup, the Dutchman.

In an ERS report on per capita consumption of milk and dairy products in 17 major dairy countries, it's noted that cheese use rose substantially in 1970, while butter, fluid milk and cream, and canned milk all went down on a per capita basis.

As to other leading consumers of cheese, the Italians, Danes, Swiss, Swedes, and Norwegians all averaged around 20 pounds of cheese per person.

Belgium, at nearly 17 pounds per person was followed by Canada, the United Kingdom, and the U.S., all averaging around 12 pounds.

Only 2 of the 17 countries reported a decrease in cheese consumption from the 1960 level—Italy and West Germany.

Ireland, by far, reported the greatest increase in the decade—193 percent.

Per capita consumption was up 80 percent in Canada, 73 percent in France, and nearly 70 percent in Finland. (20)

and spreads, and specialty cheeses are party and appetizer favorites. Today's consumer can select from the widest variety ever of cheese packages and types.

As to cheese's favorite customers, research has shown that adults eat a half to two-thirds more cheese than children or teenagers . . . that city dwellers eat about the same amount of cheese per capita as farm residents.

Part of its rise has been linked to rising incomes—people with higher incomes tend to buy more cheese. A member of a family with an income of \$15,000 or more consumes a fourth of a pound per week, contrasted to a seventh of a pound for a person in a family with an income under \$1,000, according to a 1965 study.

Regionally, this study showed, per capita cheese consumption was highest in the Northeast and North Central regions, and lowest in the South. Consumers in the Northeast ate more American processed cheese and more Swiss, cream, and Italian cheese than did consumers in other areas of the country, although they ate less natural American cheese. That was most popular in the North Central and Western regions.

By far the most popular single cheese in the country is Cheddar.

Domestic cheese production last year broke down like this: 1½ billion pounds of American cheese—with Cheddar making up 80 percent of the total; and 855 million pounds of "other-than-American" cheeses—a record for the 14th consecutive year. More than half these "other" cheeses were an Italian type, such as mozzarella, ricotta, provolone, and parmesan.

Altogether, Italian-type cheese production—at 453 million pounds—was up 15 percent from 1970. Swiss cheese was next, at 154 million pounds, followed by Muenster at 39 million, and blue cheese at 25 million pounds—all record highs. At near record lows, however, were Neufchâtel and limburger.

In addition to domestic cheeses,

Americans could also sample from the 136 million pounds of imported cheeses last year.

It's expected that this year's imports will exceed that figure. World dairy supplies are larger this year, U.S. cheese use is heavy, and the pace of imports has quickened for both quota and nonquota cheeses. (19)

Milk Counter Features Variety of Prices

When it comes to buying whole milk, the shopper's likely to pay the least at dairy stores, and the most at convenience stores, with supermarkets in between.

That's one of the findings from an ERS study of milk prices in more than 400 stores in 56 milk markets east of the Mississippi.

In three-fourths of the 31 milk markets that had dairy stores, the study found milk cost up to 3¢ less per half gallon in the dairy stores than in the supermarkets.

The study noted that a customer in any given market is never confronted with just 1 price for milk, and may have as few as 3 or as many as 26, depending on whether retail prices are regulated.

In any given store, milk was offered at at least 3 different prices, and sometimes at more than 6 prices—depending on size and type of milk container, on how many brands were offered, and on varying fat contents.

For instance, while whole milk was generally priced higher than lowfat milk, milk with 1 percent butterfat cost up to 11¢ more in nearly 40 percent of the markets. (18)

BEEF FACTS

The average American eats twice as much beef as he did 20 years ago.

He consumed 113 pounds of beef in 1971, compared with 56 pounds in 1951, and he may be eating 130 pounds in 1980.

Meanwhile, farmers and ranchers have increased beef production 2½ times in the last 20 years—from 8.8 billion pounds in 1951 to 21.9 billion pounds in 1971.

They've done it by:

Increasing beef cow numbers. Our beef cow herd is nearly 39 million now, up from 20 million in 1952.

Switching from dairy to beef animals. Over the last 20 years, the number of milk cows has dropped from 21 million to just over 12 million. Some cows once kept for dairy purposes—and entire herds in many cases—have been replaced by beef animals.

Marketing more fed beef. By far, this is the largest single factor be-

hind the expansion in beef production. Today more than three-fourths of our beef is grain-fed, compared with half 20 years ago, and about a third in the mid-1940's. Choice grade now makes up 60 percent of beef output compared with a third in 1952.

Veal production has gone down drastically as the demand for beef has increased. Meatier dairy calves used to be slaughtered for veal at 150 pounds. Now they're fed to 1,000 pounds. And veal production fell from 1 billion pounds in 1951 to just over a half billion pounds in 1971.

Beef and veal imports have risen even faster than our beef production—they're 4 times larger than 20 years ago.

Imports, however, amount to only a small percentage of our total U.S. beef consumption—at 1.8 billion pounds last year, they represented 8 percent of total usage. (21)

CHILE'S FARMLAND GOES PUBLIC



Socialization of Chilean agriculture was one of several steps taken to lift farm productivity from its poor performance under a timeworn land tenure system.

The end is near for most of Chile's large privately owned farms. Expropriation—begun in the mid-sixties under a government program to restructure Chile's land tenure system—is slated for completion this year.

Prior to the land reforms, Chile endured 3 decades of sluggish farm production. Blamed was the land ten-

ure system, as vital resources—arable land, water, and labor—were believed adequate for agricultural self-sufficiency.

Up to the mid-1960's, Chile's land tenure system showed little change from the 16th century, when the Spanish conquerors were granted land and domain over the Indians. Most of the land was held by a few owners; around 1 percent of the farms encompassed 73 percent of the farmland.

Though groundwork for revamping the land tenure system was laid

in 1962, fundamental changes actually began around 1965. That year, a new agrarian reform law called for the expropriation of large farms—those in excess of 80 irrigated acres—and a gradual transfer of ownership to the workers.

In addition, the law specified that small subsistence farms, abandoned or poorly used land, and land not worked directly by its owner should be seized, consolidated, and redistributed.

Expropriation of farmland accelerated when President Salvador Al-

lende took office in 1970. Between November 1970 and March 1972, the government seized nearly 2,000 farms covering some 8 million acres—compared with around 1,400 farms taken during the previous 6 years.

After government takeover, the large farms were at first organized into Settlements, which would ultimately be carved into many small owner-operated farms. But the concept of private ownership gradually gave way to cooperative ownership of large farms, which could enjoy some economies of scale.

Farms expropriated since August 1971 have been grouped into Agrarian Reform Centers rather than Settlements. Under the Center concept, no land will revert to private ownership except the worker's house and garden.

Socialization of Chile's farmland was one of several steps taken to lift sagging productivity. To funnel more capital into the farm sector, the government opened two new channels of credit—agricultural all-purpose loans and special advance payments.

With multipurpose loans, farmers no longer need separate loans for each type of farm expenditure. And under a special system of advance payments, a farmer may borrow up to 40 percent of the estimated value

Trade Tapers

Chile is a rapidly expanding market for foreign agricultural imports—but not from the U.S. Not only has the U.S. share of the market dwindled, but the value of U.S. farm exports to Chile has ebbed as well.

Last year, the U.S. shipped \$22 million in farm commodities to Chile—down from \$41 million in 1966. Nontraditional suppliers are getting bigger Chilean markets, largely by extending credit.

The USSR and Australia have upped wheat sales to Chile, and Argentina has won a greater part of the corn market. China has begun to export edible oils and rice. (23)

of his production.

Both credit lines carry lower interest rates than in the past. But the credit is discriminatory: interest rates to the private sector are 18 percent, while the public sector pays only 12 percent. By November 1971, the flow of credit to the public agricultural sector had more than doubled from a year earlier.

As a further measure, the Chilean government assumed control over the supply of farm inputs, and the purchase and distribution of agricultural output.

It's too soon to measure the full impact of these changes, but data are available for a short-term assessment.

Since 1965, agricultural output has risen at an annual rate of 2.4 percent—compared with an average of 1.8 percent during the previous 30 years. Larger output of wheat, sugarbeets, poultry meat, and milk accounts for most of the growth. Each commodity has been the target of special programs to boost production.

In 1967, crop productivity advanced 23 percent over the 1961–65 average. Impaired by a severe drought in 1969, crop outturn recovered in 1970 and 1971, but may fall off again this year.

Despite overall gains in agricultural productivity, supply stops short of filling demand. Consumer demand for farm commodities vaulted after the government froze prices and lifted wages in the public sector roughly 40 percent.

To meet consumer needs, Chile has substantially upped its agricultural imports—particularly wheat, corn, beef, dry milk, and vegetable oils. Total farm imports last year were valued at \$335 million—up from \$164 million in 1966.

By 1966, the value of Chile's farm imports outstripped the value of farm exports by \$108 million. Last year, the agricultural trade deficit widened to \$275 million. The overall trade balance in 1971 showed a deficit of \$9 million—Chile's first deficit since 1964. (22)

Mushroom Growers Ponder Import Problems

U.S. mushroom producers, in the midst of an unprecedented boom, are becoming increasingly concerned about competition from imports.

Domestic production moved up a third from 1966/67 to 1970/71, and its value jumped from \$53 million to \$90 million. Meantime, imports of canned mushrooms advanced nearly two-thirds.

Imports currently account for slightly more than a third of all canned mushrooms used in the U.S. In recent years, canned and dried imports have supplied roughly 20 percent of our mushrooms, on a fresh equivalent basis.

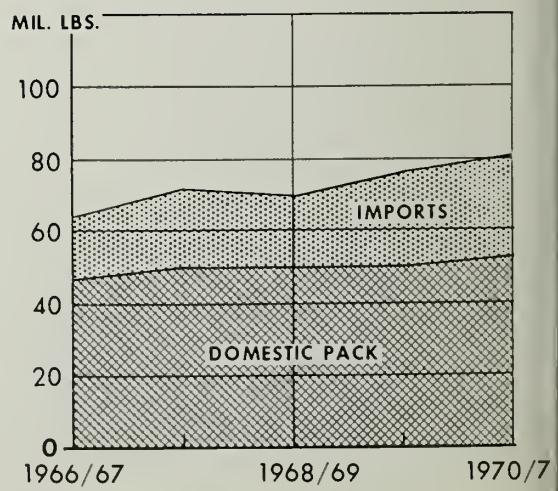
Continued growth in mushroom use over the next few years is expected. A key indicator is the strong demand for beef, cheese, and snack foods—items usually associated with mushrooms.

Based on current trends, per capita consumption in 1975 will probably top 1½ pounds. But the real unknown is—how much will be supplied by domestic growers, and how much by imports.

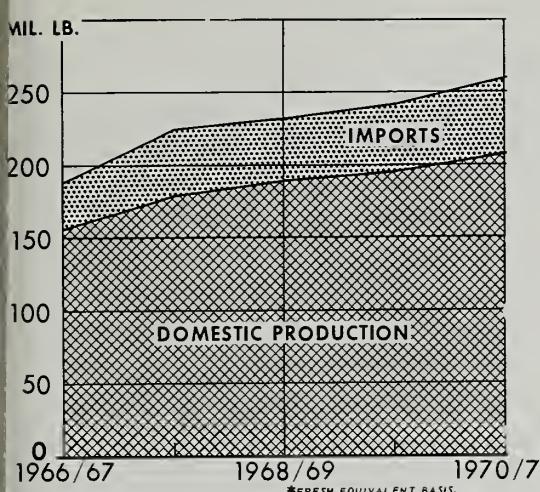
A large share of the foreign trade in canned mushrooms centers in the European Community (EC). Though Taiwan is yielding part of its massive West German market to France and the Netherlands, it still commands the largest share of world trade.

South Korea, which found markets

CANNED MUSHROOM SUPPLIES



TOTAL MUSHROOM SUPPLIES*



In short, rice has become in tighter supply in the Far East's rice bowl. Though output has risen, it has not kept pace with requirements. The long-term outlook depends in part on results of an effort to grow higher-yielding rice varieties.

Meantime, exporters of rice from the U.S.—world's leading supplier—are benefiting from the situation.

In the 1972 marketing year which ended in July, our rice exports totaled approximately 57 million cwt.—some 11 million more than in 1971 and the highest ever. Over half the shipments moved under the P.L. 480 program.

Of the 57 million cwt., about two-thirds went to the Far East. Markets taking more U.S. rice included South Korea, Indonesia, and South Vietnam. (25)

in the U.S. and Canada in 1970, is a rising trade contender. During the first third of this year, South Korea shipped 3.7 million pounds of canned mushrooms—a fourth of global imports for that period.

Another newcomer in world trade is the People's Republic of China. In 1971, China shipped 3 million pounds to Canada. Recently, a U.S. firm applied for a license to import Chinese mushrooms.

Due to increasing competition in the EC market, Taiwan, South Korea, and Mainland China are interested in opening new trade channels here and in Canada. Any protective trade measures adopted by the EC could put even more pressure on our domestic market. (24)

Far East's Rice Demand Outrunning Production

The rice situation in the Far East has taken unexpected turns in the past year that augur well for increased rice shipments from the U.S.

- The Philippines, self-sufficient in rice production in 1970, is now a net importer.
- Import demand has picked up in many rice-consuming countries.
- Japan's rice acreage diversion program, along with lower average yields last season, has led to some reduction in rice stocks and export availability.
- Two major Far East rice exporters—Thailand and Burma—also have drawn down their stocks.

India's Grain Situation Telescoped to 1980

The spread of new technology in India's agriculture will gather speed in the 1970's, bringing that country close to self-sufficiency in food production in years of favorable rainfall. Production gains resulting from improved technology will also provide a buffer against drastic reductions in domestic supplies in years of adverse weather.

Assessing the outlook for grain production in India, a new ERS study estimates that total food grain output could reach 144 million tons in 1980/81. This would be a third more than the bumper harvest of 1970/71. However, it's likely some grain would still have to be imported in the light of expected growth in population.

Leading the production increases will be cereals which are projected to rise 34 percent to around 129 million tons. Wheat production in 1980/81 should reach nearly 32 million tons (up from 23 million in 1970/71), and milled rice, 58 million (up from 42.2 million). Coarse grain output will approximate 39 million (up from 30.6 million). Wheat production increased about 11 percent in 1971/72 although the overall gain in the output of other grains was less than 4 percent.

Most of the additional cereal production will come from high-yielding varieties planted in areas that are irrigated or have assured rainfall. These varieties are expected to provide slightly over half of the grain production in 1980/81, compared with a little more than one-third of the output of 1970/71. Stepped-up use of high-yielding seeds will be accompanied by greater use of fertilizers, insecticides, and farm machinery. Area under irrigation will also expand, as will the practice of multiple-cropping.

The study points out that although the new technology offers hope of conquering malnutrition and famine, technology has the potential for displacing many farm workers. (27)

Recordbreakers

While U.S. farm exports reached an alltime high of \$8 billion in fiscal '72, shipments of soybeans and products and animals and animal products set records of their own.

Value increases in soybeans, soybean meal, cotton, butter, cattle hides, fruits, nuts, vegetables and feed grains more than offset reduced shipments of wheat, flaxseed, alfalfa meal and lard. The value of rice and tobacco was about the same as a year earlier.

Overseas sales of meat and animal products topped \$1 billion for the first time during fiscal '72. Mainly responsible were increased sales of dairy products—mostly butter—and hides and skins.

A tight world butter market, caused by waning production in New Zealand and West Europe, sparked demand for U.S. butter. And relatively tight supplies of cattle hides triggered higher prices and stepped-up purchases from U.S. tanneries.

Exports of soybeans and products struck a new record of over \$2 billion—the first time an individual commodity has topped that level. Other recordbreakers in 1971/72 were fruits, nuts, and vegetables. (26)

1971 Saw Slower Growth In U.S. Farm Imports

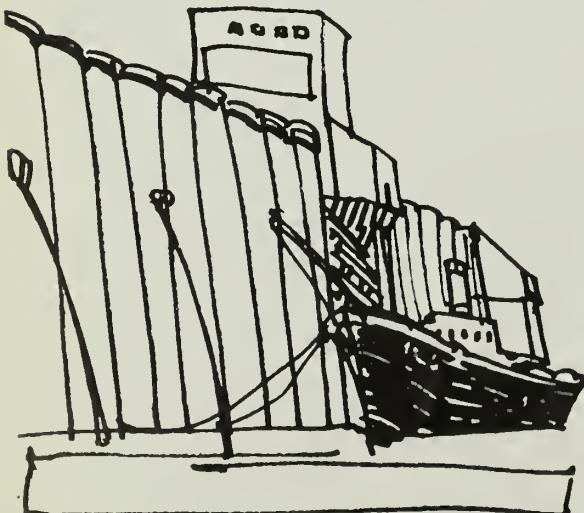
U.S. agricultural imports drifted up in 1971—by 1 percent to \$5.8 billion—but in preceding years the rise had been steeper. The total import increase for 1966–71 was 30 percent, or \$1.3 billion.

The Latin American Free Trade Association (LAFTA) supplies more agricultural products to the U.S. than any other region. Imports in 1971 were valued at \$1.6 billion, up about a third of a billion since 1966 but down slightly from 1970.

Sugar, beef, fruits, and vegetables accounted for most of the increase from LAFTA's two leading traders, Brazil and Mexico. Beef and sugar imports also showed a gain for Central American Common Market (CACM) countries.

From Europe in 1971 we took more mink skins than the year before, more tobacco, canned hams, pork, bakery products, wine, apple juice, and processed vegetables. From Asia, gainers included hides, pistachio and cashew nuts, sugar, and tea. Oceania provided more coffee and cocoa, and Africa expanded shipments of coffee, cocoa, tea, cashew nuts, and spices.

The major suppliers shifted slightly during the past 5 years. LAFTA supplied a relatively smaller share in 1971, and Europe—including the European Community (EC) and the European Free Trade Association (EFTA)—contributed somewhat larger shares.



In absolute terms, however, each regional bloc sold us more in 1971 than in 1966, and most regions registered substantial gains. Imports from EFTA, for example, were up 71 percent, and the EC had a 40 percent increase. (28)

Foul Weather Dampens Soviet Grain Prospects

Some of the best intentions can be spoiled by whims of weather. In the USSR, a severe winter and lack of precipitation during the first five months of the year reduced winter grain production and dropped total grain prospects considerably below the 190 million tons planned for 1972.

Prolonged rainfall and improved weather in late June lifted crop prospects somewhat, but as of mid-July this year's grain harvest was seen almost 10 percent below the intended mark.

Close to 120 million hectares were planted to grains—slightly more than in 1971 (1 hectare = about 2½ acres). Winterkill, however, destroyed an estimated 7 million hectares, making the winter grain area about a fourth smaller than that harvested last year.

Area remaining in winter wheat is estimated at 15 million hectares, almost 6 million less than the harvested area in 1971. Rye area is off roughly a million hectares from last year's 9.5 million.

Aided by stretches of relatively dry weather, producers stepped up seeding of spring grains, mostly feed grains. Though spring wheat area barely surpassed the '71 plantings, spring barley area grew roughly a fifth. Big increases were also indicated for corn, oats, millet, and pulses.

By early June, the lack of moisture seriously threatened crops over much of the European USSR. Short grain straw was reported in some areas of the Ukraine, and grain was ripening 10–15 days earlier than normal. (29)

Ways To Build U.S. Food Sales in Swedish Market

Despite the tight hold local processors have on the Swedish food market, the door is by no means closed to U.S. suppliers.

Prospects remain bright for increasing exports of those brands of U.S. food manufacturers that are well known to Swedish consumers.

With more limited opportunities are U.S. foods sold to Swedish manufacturers under their own labels. But even this market is promising enough to warrant thorough study by interested U.S. food processors.

During 1971 an ERS economist met with executives of leading Swedish food firms and Government agencies to explore ways for building up agricultural trade with Sweden. He reported that Swedish manufacturers expressed a strong interest in setting special arrangements with U.S. manufacturers.

Such arrangements might include—

- Importing and marketing U.S. food products in Sweden under the Swedish manufacturer's label.

- Importing U.S. food products in bulk for repackaging and labeling by the Swedish manufacturer or for use in further processing.

- Marketing a U.S. manufacturer's brand under a contractual arrangement (Swedish company's marketing division to act as the U.S. firm's marketing agency in that country).

- Production and marketing of products in Sweden under license from a U.S. manufacturer.

In fiscal 1971, Sweden imported nearly \$60 million in U.S. agricultural commodities. Fruits, nuts, and vegetables accounted for about 40 percent, with most of the remainder consisting of tobacco, cotton, rice, and cattle hides.

Successful marketing of U.S. foods in Sweden, as several U.S. companies have demonstrated, requires essentially the same mix of marketing strategies and methods that these firms have long used effectively in North America. (30)

Recent Publications

THE POULTRY PROCESSING INDUSTRY: A STUDY OF THE IMPACT OF WATER POLLUTION CONTROL COSTS. James G. Vertrees, Marketing Economics Division. MRR 965.

This report presents estimates of costs to poultry slaughtering plants of utilizing wastewater treatment systems to meet likely effluent limitations, and discusses the economic impact of these costs.

NEW TECHNOLOGY IN INDIA'S AGRICULTURE AND OUTLOOK FOR GRAIN PRODUCTION. John B. Parker, Jr., Foreign Demand and Competition Division. ERS-F 341.

This report discusses the impact of high-yielding seed varieties on India's crop production, and the use of other inputs associated with the Green Revolution.

SUPPLEMENT FOR 1971 TO LIVESTOCK AND MEAT STATISTICS. Economic and Statistical Analysis Division, Statistical Reporting Service, and Agricultural Marketing Service.

This is the ninth supplement to Livestock and Meat Statistics, Stat. Bull. No. 333. It contains new data for 1971 and revisions for earlier years.

SEPARATE EATING PLACES: TYPE, QUANTITY, AND VALUE OF FOODS USED. Michael G. Van Dress, Marketing Economics Division. Stat. Bull. No. 487.

Estimates are provided of poundage and dollar value of food and non-alcoholic beverages received by separate eating places—the largest single segment of the food service industry. Data in the report are from a comprehensive, two-part study of the market for food consumed away from home.

PRICING PERFORMANCE IN MARKETING FRESH WINTER CARROTS. Robert W. Bohall, Marketing Economics Division. MRR 963.

Price analysis was used in this report to determine if the behavior of weekly carrot prices at shipping

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points and wholesale terminal markets is generally consistent with a competitive marketing system. This is the second of a three-part series examining pricing performance and efficiency of the marketing system for fresh winter vegetables.

A BIBLIOGRAPHY OF MARKETING RESEARCH ON COMMERCIAL FLORICULTURE AND ORNAMENTAL HORTICULTURE, 1965-71. Dorothy M. Lundquist, Marketing Economics Division. Miscellaneous Publication 1235.

This publication lists research publications and articles concerning commercial floriculture and ornamental horticulture published during 1965-71. References are listed alphabetically by author under two major headings: Commercial Floriculture and Ornamental Horticulture.

COSTS OF PRODUCING UPLAND COTTON IN THE UNITED STATES, 1969. I. R. Starbird, Farm Production Economics Division, and B. L. French, Food and Textile Division, Office of Program Operations, Price Commission, Executive Office of the President. AER 227.

This report presents results of a survey of cotton production inputs and costs in 20 major producing regions of the U.S. Average costs per acre and bale are given by input subgroups for each region of the U.S.

RETAIL DEMAND FOR FRESH APPLES. Victor G. Edman, Marketing Economics Division. MRR 952.

Seasonal retail demand for fresh apples was estimated for 1963/64-1969/70 with linear regressions of U.S. average monthly retail prices on monthly net per capita fresh movement.

CHANGES IN FARM PRODUCTION AND EFFICIENCY: A SUMMARY REPORT, 1972. Farm Production Economics Division. Stat. Bull. No. 233.

This annual publication provides in one place the latest information for appraising changes in production, changes in farm inputs and practices, improvement in labor productivity, and progress of farm mechanization.

FRUITS, PART II. NONCITRUS BY STATES, 1970-71: PRODUCTION, USE, VALUE. Statistical Reporting Service. FRNT 2-1 (7-72).

This report (Part II) presents statistics on production, price, value and utilization for 7 fruits—apples, avocados, bananas, cranberries, dates, olives, and papayas—as well as summary tables for 16 specified noncitrus fruits.

AN INTERINDUSTRY ANALYSIS OF GRAIN PRODUCTION AND PROCESSING: IMPLICATIONS OF EXPANDING MARKETS. Edward H. Glade, Jr., and Whitman M. Chandler, Jr., Marketing Economics Division. MRR 962.

Grain producing and processing industries are analyzed in terms of their output levels and input structures in interaction with each other and with other sectors of the economy.

FARM POPULATION BY RACE, TENURE, AND ECONOMIC SCALE OF FARMING, 1966 AND 1970. Vera J. Banks and Calvin L. Beale, Economic Development Division. AER No. 228.

Despite an overall decline of 15 percent in the farm population during 1966-70, farms with annual sales of \$20,000 or more experienced pop-

ulation growth. Farm population declined most rapidly in the South, with the heavier rates of population loss among Negro farm residents.

U.S. FATS AND OILS STATISTICS, 1950-71. George W. Kromer and Stanley A. Gazelle, Economic and Statistical Analysis Division. Stat. Bull. No. 489.

This handbook updates a series of long-term statistics on oilseeds, fats,

oils and their products. Some of the new data added to the series include those dealing with end uses of fats and oils in salad and cooking oils, salad dressings, mayonnaise, and related consumer products. A glossary of terms has also been added.

DEVELOPMENTS IN MARKETING SPREADS FOR AGRICULTURAL PRODUCTS IN 1971. Marketing Economics Division. ERS-14 (1972).

The retail cost of the market basket of foods originating on U.S. farms averaged 1.7 percent higher in 1971 than in 1970, a considerably smaller increase than in other recent years. Food costs rose sharply through midyear, but the ceilings imposed on wages and prices in August, coupled with abundant supplies of several foods, curtailed the rise in food costs and moderated the gain.

Article Sources

Readers are invited to write for the complete reports, studies, speeches, or papers on which we base our articles. Authors and titles are listed below, preceded by numbers corresponding to those appearing at the end of stories in this issue. Those publications indicated by (*) are obtainable only from the university or experiment station cited. The word "manuscript" after an item denotes a forthcoming publication, which we will send you when it comes off press. "Special material" after an item means the article was researched specially for this magazine, although additional information is generally available. Address all inquiries to The Farm Index, Office of Management Services, U.S. Department of Agriculture, Room 1459, Washington, D.C. 20250.

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Economic Trends

Item	Unit or Base Period	1967	1971			1972	
			Year	June	April	May	June
Prices:							
Prices received by farmers	1967=100	—	112	113	119	123	125
Crops	1967=100	—	107	113	112	115	116
Livestock and products	1967=100	—	116	113	125	129	131
Prices paid, interest, taxes and wage rates	1967=100	—	120	120	125	125	126
Family living items	1967=100	—	119	119	123	124	124
Production items	1967=100	—	115	116	120	120	121
Ratio ¹	1967=100	—	94	94	95	98	99
Wholesale prices, all commodities	1967=100	—	113.9	114.3	117.5	118.2	118.8
Industrial commodities	1967=100	—	114.0	113.9	117.3	117.6	117.9
Farm products	1967=100	—	112.9	116.0	119.1	122.2	124.0
Processed foods and feeds	1967=100	—	114.3	114.9	117.7	118.6	119.6
Consumer price index, all items	1967=100	—	121.3	121.5	124.3	124.7	125.0
Food	1967=100	—	118.4	119.2	122.4	122.3	123.0
Farm Food Market Basket: ²							
Retail cost	Dollars	1,081	1,244	1,254	1,284	1,288	1,299
Farm value	Dollars	419	477	477	497	513	528
Farm-retail spread	Dollars	662	767	777	787	775	771
Farmers' share of retail cost	Percent	39	38	38	39	40	41
Farm Income: ³							
Volume of farm marketings	1967	100	111	90	78	81	91
Cash receipts from farm marketings	Million dollars	42,693	53,063	3,784	3,498	3,750	4,000
Crops	Million dollars	18,434	22,609	1,371	947	920	1,200
Livestock and products	Million dollars	24,259	30,454	2,413	2,551	2,830	2,800
Realized gross income ⁴	Billion dollars	49.0	60.1	59.1	—	—	64.8
Farm production expenses ⁴	Billion dollars	34.8	44.0	43.7	—	—	46.5
Realized net income ⁴	Billion dollars	14.2	16.1	15.4	—	—	18.3
Agricultural Trade:							
Agricultural exports	Million dollars	—	7,695	606	628	712	743
Agricultural imports	Million dollars	—	5,825	530	486	525	521
Land Values:							
Average value per acre	1967 = 100	6205	—	—	—	—	7217
Total value of farm real estate	Billion dollars	6221.1	—	—	—	—	7228.6
Gross National Product: ⁴							
Consumption	Billion dollars	793.9	1,050.4	1,043.0	—	—	1,139.0
Investment	Billion dollars	492.1	664.9	660.4	—	—	712.5
Government expenditures	Billion dollars	116.6	152.0	153.0	—	—	176.8
Net exports	Billion dollars	180.1	232.8	229.5	—	—	254.6
Billion dollars	5.2	.7	.1	—	—	—	-4.9
Income and Spending: ⁵							
Personal income, annual rate	Billion dollars	629.3	861.4	873.4	919.4	924.0	924.0
Total retail sales, monthly rate	Million dollars	26,151	34,071	33,827	36,287	36,926	36,411
Retail sales of food group, monthly rate	Million dollars	5,759	7,437	7,418	7,795	7,937	—
Employment and Wages: ⁵							
Total civilian employment	Millions	74.4	79.1	78.6	⁸ 81.2	⁸ 81.4	⁸ 81.7
Agricultural	Millions	3.8	3.4	3.3	⁸ 3.3	⁸ 3.4	⁸ 3.3
Rate of unemployment	Percent	3.8	5.9	5.8	5.9	5.9	5.5
Workweek in manufacturing	Hours	40.6	39.9	40.2	40.5	40.5	40.8
Hourly earnings in manufacturing, unadjusted	Dollars	2.83	3.57	3.57	3.77	3.78	3.79
Industrial Production: ⁵							
Manufacturers' Shipments and Inventories: ⁵							
Total shipments, monthly rate	Million dollars	46,449	55,158	55,752	60,741	60,957	—
Total inventories, book value end of month	Million dollars	84,606	101,665	101,614	102,428	102,822	—
Total new orders, monthly rate	Million dollars	46,988	55,074	54,376	61,209	61,475	—

¹ Ratio of index of prices received by farmers to index of prices paid, interest, taxes, and farm wage rates. ² Average annual quantities of farm food products purchased by urban wage-earner and clerical worker households (including those of single workers living alone) in 1959-61—estimated monthly. ³ Annual and quarterly data are on 50-State basis. ⁴ Annual rates seasonally adjusted second quarter. ⁵ Seasonally adjusted. ⁶ As of November 1, 1971. ⁷ As of March 1, 1972. ⁸ Beginning January 1972 data not strictly comparable with prior data.

because of adjustment to 1970 Census data.

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